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RR RUEHWEB

DE RUEHAN #0266 1000828
ZNR UUUUU ZZH
R 100828Z APR 09
FM AMEMBASSY ANTANANARIVO
TO RUEHC/SECSTATE WASHDC 2319
INFO RUCPDOC/DEPT OF COMMERCE WASHDC

UNCLAS ANTANANARIVO 000266

SIPDIS

DEPARTMENT FOR AF/E - MBEYZEROV
DOC FOR DESK OFFICER - BERKUL

E.O. 12958: N/A
TAGS: BEXP KTDB MA
SUBJECT: RAVALOMANANA'S TIKO GROUP UNDER PRESSURE

¶1. SUMMARY: On April 6, former President Marc Ravalomanana's TIKO company announced through a paid advertisement that the company was ceasing operations due to the looting and harassment they have endured since the beginning of the political turmoil in January 2009. Despite the intervention of HAT Minister of Finance Benja Razafimahaleo, the company remains closed, cutting off Madagascar's largest distributor of many staple goods. END SUMMARY.

¶2. TIKO produces a wide variety of goods, and is Madagascar's leading supplier of products such as milk, butter, cheese, and non-alcoholic beverages. It also imports refined vegetable oil and wheat, which are then processed locally. As the main importer of rice and sugar, TIKO, through its MAGRO chain of wholesalers, has the biggest distribution channel in the country. Since 2002, President Ravalomanana has maintained a monopoly on dairy and cooking oil products, engendering resentment and frustration among local operators who could not compete. In addition, TIKO was accused of non-payment of tax and customs duties estimated at approximately USD 35 million.

¶3. On January 26, at the peak of the political conflict, protesters destroyed and looted factories, shops, television stations and particularly TIKO and MAGRO stores, largely due to their affiliation with President Ravalomanana. With Ravalomanana now out of the country, and the new transition government intent on recouping lost tax and customs revenue, TIKO has allegedly been unable to recover. On April 6, officials from the company announced that they will close due to the damage to its distribution centers, threats to its workers, and seizure of its trucks. The last straw was last week's seizure of TIKO goods at the main port in Tamatave for reasons that remain unclear. As a consequence, TIKO has declared that their products will no longer be available in the market, and that 3,500 workers will lose their jobs. They estimate a further indirect loss of 10,000 jobs among their partners.

¶4. On April 7, HAT Minister of Finance Benja Razafimahaleo met with TIKO officials to negotiate its reopening, indicating that the company will be treated under the same rules as other companies - meaning an end to the tax and customs advantages they had under Ravalomanana. Once the company has recovered, they will have to pay debts to the Malagasy state (back taxes and customs duties) estimated at USD 35 million. On April 9, the TIKO head office announced that the company "has been forced by the HAT and mutinous elements of the military to suspend its operations".

¶5. COMMENT: The continued closure of TIKO will have a significant impact on the distribution of food in Madagascar, but it is unlikely that negotiations are over. The latest statement from TIKO complains of a tax bill totaling almost USD 800 million, but Razafimahaleo has publicly stated that the state seeks arrears of USD 35 million, and is willing to wait until TIKO can pay. TIKO's move is likely intended to force the HAT to reduce or eliminate even the lower sum, as the HAT will be under increasing pressure to keep food supplies flowing. END COMMENT.

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